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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

In re:

PG&E CORPORATION,

-and-

**PACIFIC GAS AND ELECTRIC
COMPANY,**

Debtors.

- ☐ Affects PG&E Corporation
☐ Affects Pacific Gas and Electric
Company
☒ Affects both Debtors

** All papers shall be filed in the lead case,
No. 19-30088 (DM)*

Chapter 11
Bankr. Case No. 19-30088 (DM)
(Jointly Administered)

**OBJECTION OF THE AD HOC GROUP OF
SUBROGATION CLAIM HOLDERS TO THE
JOINT MOTION OF THE OFFICIAL
COMMITTEE OF TORT CLAIMANTS AND
AD HOC COMMITTEE OF SENIOR
UNSECURED NOTEHOLDERS TO
TERMINATE THE DEBTORS' EXCLUSIVE
PERIODS PURSUANT TO SECTION
1121(d)(1) OF THE BANKRUPTCY CODE**

Date: October 7, 2019
Time: 10:00 a.m. (Pacific Time)
Place: United States Bankruptcy Court
Courtroom 17, 16th Floor
San Francisco, CA 94102

1 The Ad Hoc Group of Subrogation Claim Holders (the “**Ad Hoc Subrogation Group**”) in
2 the above-captioned chapter 11 cases of PG&E Corporation and Pacific Gas and Electric Company
3 (together, “**PG&E**” or the “**Debtors**”), by its attorneys Willkie Farr & Gallagher LLP and Diemer &
4 Wei, LLP, hereby objects (the “**Objection**”) to the *Joint Motion of the Official Committee of Tort*
5 *Claimants and Ad Hoc Committee of Senior Unsecured Noteholders to Terminate the Debtors’*
6 *Exclusive Periods Pursuant to Section 1121(d)(1) of the Bankruptcy Code* [Docket No. 3940] (the
7 “**Joint Motion**”). In support of this Objection, the Ad Hoc Subrogation Group respectfully
8 represents as follows:

9 **OBJECTION**

10 At the hearing on September 24th, counsel to the Ad Hoc Committee of Senior Unsecured
11 Noteholders (the “**Bondholders**”) represented to the Court that the Bondholders’ revised proposal
12 (the “**Bondholders’ Plan**” as described in the term sheet filed September 25, 2019 [Docket No.
13 4006]) would treat the claims of the Ad Hoc Subrogation Group the same as the *Debtors’ First*
14 *Amended Joint Chapter 11 Plan of Reorganization* [Docket No. 3966] (the “**First Amended Plan**”).
15 Sept. 24 Hr’g Tr. at 111:22-114:19. Despite this clear statement to the Court, the Bondholders’ Plan
16 falls decidedly short of doing so. As the Court knows, the settlement between the Debtors and the
17 Ad Hoc Subrogation Group embodied in the First Amended Plan (the “**Subrogation Settlement**”)
18 provides for an \$11 billion allowed claim, which will be paid entirely in cash on the plan effective
19 date (subject only to the claimholder’s right to elect equity instead of cash). First Amended Plan,
20 Section 4.19(b). The Bondholders’ Plan, in contrast, offers an unknown mix of cash and equity
21 consideration, likely worth substantially less than the \$11 billion in cash that would be realized
22 through the Subrogation Settlement (approximately a billion dollars of value less).

23 The math illustrating the material discrepancy is as follows:

- 24
- 25 • The Bondholders’ amended term sheet earmarks \$12.75 billion in cash and 40.6% of
26 reorganized PG&E common stock for fire victims and holders of subrogation claims
(the “**Fire Claimants’ Consideration**”).
 - 27 • The 40.6% of reorganized PG&E common stock is ascribed a value of \$12.75 billion
- 28

1 at “*plan value*.” [Docket No. 4006], 5. As illustrated on Exhibit A to this Objection
2 however, *plan value* is premised on a **\$61 billion total enterprise value**.

- 3 • Bondholders, on the other hand, are purchasing 59.3% of reorganized PG&E’s
4 common stock for approximately \$15.5 billion, implying a **\$55.9 billion total**
5 **enterprise value**.

6 In sum, Bondholders would acquire a 59.3% share of equity at a substantial discount to the
7 hypothetical plan value used to value the Fire Claimants’ Consideration. As further illustrated on
8 Exhibit A, assuming a 50/50 split of cash and equity to all fire claimants, the “\$11 billion” of value
9 earmarked for holders of subrogation claims is actually worth \$10.1 billion—a difference of almost
10 a billion dollars when compared to the Debtor’s First Amended Plan.¹ Thus, any attempt to portray
11 the Bondholder Plan as offering the holders of subrogation claims the precise amount that the Debtors
12 propose to settle such claims is plainly wrong; and the Bondholder Plan is not likely to avoid plan
13 litigation with the Ad Hoc Subrogation Group. Therefore, the Ad Hoc Subrogation Group does not
14 believe modifying exclusivity at this time advances everyone’s shared goal: a consensual plan that
15 provides individual claimants payment consistent with the provisions of A.B. 1054.

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25 ¹ Additionally, under the Bondholders’ Plan subrogation claims relating to the 2015 Butte fire recover from the
26 same pool of assets, while under the Debtors’ First Amended Plan these claims are not subject to the Subrogation
27 Settlement. Furthermore, just as the amount of distributable value actually available for holders of subrogation
28 claimants is materially less than the \$11 billion headline number, it follows that the amount of distributable
 value available for individual claimants is also overstated.

1 **CONCLUSION**

2 WHEREFORE, the Ad Hoc Subrogation Group requests that the Court deny the Joint
3 Motion and such other and further relief as the Court may deem just and proper.

4 Dated: October 4, 2019

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6 **WILLKIE FARR & GALLAGHER LLP**

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27 *Counsel for Ad Hoc Group of Subrogation Claim Holders*
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Exhibit A

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Exhibit A

Implied Total Enterprise Value ("TEV") calculations based on Bondholders' Plan terms

Implied TEV calculation

(\$ in millions)

	New Money Investment	Plan Value
Utility reinstated debt	\$15,775	\$15,775
Utility new money secured debt	7,979	7,979
Utility reinstated preferred	258	258
HoldCo new money debt	5,750	5,750
Total debt	\$29,762	\$29,762
New money equity value (59.3%)	\$15,512	\$18,623
Wildfire trusts equity value (40.6%)	10,621	12,750
Legacy equity value (0.1%)	26	31
Implied Equity Value	\$26,159	\$31,404

Implied TEV	\$55,921	\$61,166
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Memo: Implied Subrogation Trust value

Consideration mix

50% equity / 50% cash	\$10,081	\$11,000
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Implied Equity Value calculation

	New Money Investment	Plan Value
New money investment (\$)	\$15,512	
Trust equity value (\$)		12,750
÷ pro forma ownership %	59.3%	40.6%
Implied Equity Value	\$26,159	\$31,404

Bondholders' Plan does not describe the exact mix of consideration that will be funded into the Subrogation Trust